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FISCAL IMPACT STATEMENT

LS 6774

BILL NUMBER: HB 1102

NOTE PREPARED: Jan 18, 2006

BILL AMENDED: Jan 17, 2006

SUBJECT: Local Government Matters.

FIRST AUTHOR: Rep. Ayres

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill consist of the following provisions.

Notice Publication Procedures: This bill provides that in the case of a notice that must be published by a city or town under the statute concerning publication procedures, the city or town must publish the notice two times, at least one week apart, with the second publication made at least seven days before the event or action for which the notice is provided.

County Auditor Notices: This bill provides that if a county auditor publishes a notice concerning a tax rate, tax levy, or budget of a political subdivision in the county and the notice contains an error or omission for which the county auditor is responsible: (1) the Department of Local Government Finance may correct the error or omission at any time; (2) the maximum amount to which the Department of Local Government Finance may increase the tax rate, tax levy, or budget is the amount originally fixed by the political subdivision, and not the amount incorrectly published or omitted in the notice; and (3) the county shall hold the political subdivision harmless from any loss of revenue that results from the error or omission.

Northwestern Indiana Regional Planning Commission: The bill allows the Northwestern Indiana Regional Planning Commission to pay a claim or purchase order without obtaining a vendor's signature.

Local Fiscal Officer Mileage Reimbursement: It provides that a claim for reimbursement of mileage, meal, and lodging expenses to attend a State Board of Accounts conference may not be denied if the claim meets statutory requirements. It also allows a municipality to adopt an ordinance providing for meal expense advances for a municipal employee who will be traveling on official business.

Ordinance Violation Payments: The bill increases from \$100 to \$500 the amount that a violations clerk may accept for payment of ordinance violations.

Local Public Works Projects: The bill provides that the amount that may be accepted shall be set by ordinance. Increases the cost threshold at which bids are required for certain political subdivisions under the local public works statute to \$50,000. The bill repeals a related provision requiring quotes.

Municipal Matters: The bill eliminates the requirement that a city legislative body hold its first regular meeting of the year at 7:30 p.m. on a Monday, and it establishes a deadline of September 30 for a municipality to address property tax and budget matters and to set employee compensation for the following year.

Ten-Year Loan Term: The bill also increases the maximum term of a loan that a city or town may enter into from five to ten years.

Northwestern Indiana Regional Planning Commission: This bill provides that, beginning July 1, 2007, the trustee of each township in Lake, Porter, and LaPorte counties shall appoint a member to the Northwestern Indiana Regional Planning Commission if the township: (1) has a population of at least 8,000; and (2) does not contain a municipality.

Northwest Indiana Transportation Study Commission: The bill reestablishes the Northwest Indiana Transportation Study Commission. (The existing Northwest Indiana Transportation Study Commission expired November 2, 2005.)

Municipal Sewage Works: The bill authorizes a municipality to establish a sewer improvement and extension fund and impose assessments to finance the construction, repair, or improvement of a sewage works. The bill provides that assessments are imposed and collected in the same manner as Barrett Law assessments.

Lake County and Porter County Regional Bus Authority: The bill adds the following two members to the board of the regional bus authority serving Lake County and Porter County: (1) One member appointed jointly by the town board presidents of the towns of Chesterton, Porter, Burns Harbor, and Dune Acres. (2) One member appointed jointly by the township trustees of Washington, Morgan, Pleasant, Boone, Union, Porter, Jackson, Liberty, and Pine townships in Porter County. Deletes a provision specifying that members of the board from Porter County may not vote on certain issues unless Porter County makes payments to the authority. The bill makes other changes concerning local government.

Effective Date: (Amended) Upon passage; July 1, 2006.

Explanation of State Expenditures: (Revised) *County Auditor Notices:* Currently, if a county auditor publishes a notice containing an error or omission related to a tax rate, tax levy, or budget of a political subdivision in the county, the taxing unit has ten days from the date of publication in which to file a statement with the state Department of Local Government Finance (DLGF) to initiate an appeal. This provision will allow the DLGF to correct such an error or omission at any time. Removing the ten-day limit could potentially lead to the initiation of more appeals and increase the administrative work load of the DLGF. The DLGF should be able to implement this provision given its existing level of resources.

Northwest Indiana Transportation Study Commission: The bill would reestablish the 14-member Northwest Indiana Transportation Study Commission, which would consist of 12 legislators and 2 lay members. The

Commission would operate under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$9,500 per interim for committees with fewer than 16 members. The fund affected is the state General Fund.

The Commission would be charged to do the following:

- (1) monitor the development of commuter transportation and rail service in the Lowell-Chicago and Valparaiso-Chicago corridors;
- (2) study all aspects of regional mass transportation and road and highway needs in Lake County, Porter County, LaPorte County, St. Joseph County, and Elkhart County;
- (3) study northwest Indiana transportation, infrastructure, and economic development issues; and
- (4) study other topics as assigned by the Legislative Council.

The Commission would submit in an electronic format a final report of the Commission's findings and recommendations to the Legislative Council before November 1, 2009.

Explanation of State Revenues: *Ordinance Violation Payments:* This provision could result in the loss of revenue to state funds of \$74,000 to \$178,000.

During CY 2004, 21 counties with trial courts and 28 city and town courts reported having ordinance violations bureaus. Assuming that no new ordinance violations bureaus are established because of this new language, between 400 and 2,000 cases that were disposed through either bench dispositions or guilty plea admissions in 2004 could be disposed in local ordinance bureaus.

Local ordinance violations can be disposed when filed in either trial courts or city or town courts. The 2004 *Judicial Report* indicates the following for dispositions of local ordinance violations in trial courts and city and town courts.

Counties and Municipalities in Which Local Ordinance Violations Cases Were Disposed by Violations Bureaus in CY 2004			
	Number with Local Ordinance Violations Bureaus	Cases Disposed in Local Ordinance Violations Bureaus	Cases Disposed by Either Bench Disposition or by Guilty Plea or Admission
Trial Courts	21	33,332	2,048
City and Town Courts	28	6,600	1,999

Cases disposed through local ordinance violations bureaus are not subject to the following fees under IC 33-37-4-2.

<u>Fees Deposited in the State Funds</u>		
<u>General Fund</u>	<u>Trial Courts</u>	<u>City and Town Courts</u>
Infraction or Ordinance Violations Fee	\$49	\$38.50
Public Defense Administration Fee	\$3	\$3
Judicial Insurance Adjustment Fee	\$1	\$1
Judicial Salaries Fee	\$15	\$15
DNA Sample Processing Fee	\$1	\$1
Court Administration Fee	<u>\$2</u>	<u>\$2</u>
<i>Total in State General Fund</i>	<i>\$71</i>	<i>\$61</i>
<u>State User Fee Fund:</u>		
Automated Record Keeping Fee	<u>\$7</u>	<u>\$7</u>
Total Fees	<u>\$78</u>	<u>\$68</u>

Consequently, a revenue loss would occur to both the state General Fund and the State User Fee Fund if more cases are exempt from these fees. The loss depends on the number of courts that use local ordinance violations bureaus for disposing cases and how many cases that are now disposed through court appearances would now be exempt because the civil penalty is greater than \$100 and less than \$500. These are both unknown factors. For this fiscal note, it is assumed that no new local ordinance violations bureaus will be established and that between 25% and 50% of these cases disposed in 2004 through either a bench disposition or a guilty plea or admission could instead be disposed in a local ordinance violations bureau. If more local ordinance violations bureaus are established, then a greater revenue loss could occur.

Since the number of ordinance violations with civil penalties greater than \$100 and less than \$500 is not known, it is assumed for the purposes of this analysis, that between 25% and 50% will fall into this range. Based on this assumption, state revenue loss is calculated to be between \$74,000 and \$148,000.

<u>Estimated Revenue Loss if 25% to 50% of Cases are Shifted to Local Ordinance Violations Bureaus</u>				
<u>Type of Court</u>	<u>Potential Number of Cases</u>	<u>Total Fee</u>	<u>Percent of Cases</u>	
			<u>at 25%</u>	<u>at 50%</u>
Trial Courts	2,048	\$78	\$39,936	\$79,872
City and Town Courts	1,999	\$68	<u>\$33,983</u>	<u>\$67,966</u>
Total Revenue Loss			<u>\$73,919</u>	<u>\$147,838</u>

Explanation of Local Expenditures: (Revised) *Notice Publication Procedures:* Currently, the notice publication procedures for cities and towns vary depending on the event that is being published. Provisions in this bill set a uniform requirement of providing notice for an event two times, at least one week apart, with the second publication occurring at least seven days before the event. The fiscal impact of these provisions will depend on how current publication procedures differ from the uniform requirement.

County Auditor Notices: This bill also requires the county to hold harmless the political subdivision from any loss of revenue that results from certain publication error or omissions. County expenses could potentially

increase under this provision.

Northwestern Indiana Regional Planning Commission: Requiring the Northwestern Indiana Regional Planning Commission to follow the same general claim payment policies as the state could affect local expenditures if following state policies would have an impact on the timing of the payment which could have an impact on the expense. The impact is indeterminable and will depend on existing local policies.

Local Fiscal Officer Mileage Reimbursement: This provision of the bill is intended to clarify that mileage shall be reimbursed for attending conferences of the State Board of Accounts. The fiscal impact is dependent on the number of local units that have interpreted the reimbursement to be optional, how often reimbursements are required to be paid, and the amount of such reimbursements.

Public Works Projects: By increasing the cost threshold of public works projects that do not require political subdivisions to receive bids or quotes, this provision has the potential of reducing project costs. The potential reduction in cost could result from a political subdivision's decision to purchase its own materials and have its own workforce carry out a project using its own or leased equipment. This provision affects public works projects costing less than \$50,000 in certain political subdivision's as specified in the bill. (Under current law, the threshold for these subdivisions is \$25,000.)

Municipal Matters: Under current law, the city executive must fix the budget, levy, and compensation of each appointive officer, deputy, and other employee of the city. Compensation must be fixed before September 20 for a third class city and September 30 for a second class city. The proposal changes this deadline to September 30. The bill also provides that the compensation of a town officer must be fixed before October 1 of each year for the ensuing budget year. Under current law, no deadline is specified. The above provisions should have no significant fiscal impact.

Ten-Year Loan Term: Increasing the maximum loan term for cities and towns will allow for more flexibility. However, interest expenses will also increase. The fiscal impact of this provision is dependent on local action.

Northwestern Indiana Regional Planning Commission: The provision would increase local expenditures. The exact amount of additional expenditures would depend on the number of new members appointed to the Commission. Under current law, members of the Commission serve without salary but may be reimbursed for expenses incurred in the performance of their duties.

Lake County and Porter County Regional Bus Authority: The bill adds two members to the Regional Bus Authority of Lake and Porter Counties. The provision will increase expenditures from Lake and Porter County General Funds. Under current law, members are allowed mileage and duty expenses. (Lake County members are allowed to receive mileage reimbursement under state employee travel guidelines or as designated under county ordinance.)

Explanation of Local Revenues: (Revised) *Ordinance Violation Payments* -- This provision could result in a revenue loss of between \$34,000 and \$68,000.

Four fees that are charged for local ordinance violations would not be paid if a case is disposed through a local ordinance violations bureau. A portion of the ordinance violations fee is deposited in the local general fund, while three fees are deposited in dedicated funds in counties and municipalities:

<u>Fees Deposited in the County and Municipal Funds</u>		
<u>Local General Fund</u>	<u>Trial Courts</u>	<u>City /Town Courts</u>
Infraction or Ordinance Violations Fee	\$21	\$31.50
<u>Dedicated Funds:</u>		
Law Enforcement Continuing Education Fee	\$3	\$3
Jury Fee	\$2	\$2
Document Storage Fee	\$2	\$2
<i>Total in All County and Municipal Funds</i>	<u>\$28</u>	<u>\$39</u>

Using the same assumptions used for calculating the state revenue loss, the following table shows that the potential lost revenue for counties and municipalities would be between \$34,000 and \$68,000.

<u>Estimated Revenue Loss if 25% to 50% of Cases are Shifted to Local Ordinance Violations Bureaus</u>				
<u>Type of Court</u>	<u>Potential Number of Cases</u>	<u>Total Fee</u>	<u>Percent of Cases</u>	
			<u>at 25%</u>	<u>at 50%</u>
Trial Courts	2,048	\$28	\$14,336	\$28,672
City and Town Courts	1999	\$39	\$19,490	\$38,981
<i>Total Revenue Loss</i>			<u>\$33,827</u>	<u>\$67,653</u>

County Auditor Notices: Removing the ten-day limit on initiating an appeal with the DLGF should make it easier for a taxing unit to correct errors and omissions in notices related to the tax rate, tax levy, or budget of a political subdivision.

Municipal Sewage Works: Under the bill, a municipality would be able established a sewer improvement and extension fund. The municipality would be able to deposit into the fund special assessments, appropriations from the municipal general fund, and from taxes levied for the construction, repair, extension or improvement of a sewage works. The bill provides that an assessment must be imposed and collected in the same manner as provided in street and sewer improvement statutes. Assessment payment periods would not be allowed to exceed 20 years. The impact of this bill to local revenues would be dependent on local action.

State Agencies Affected: Department of Local Government Finance; Legislative Services Agency; Legislative Council.

Local Agencies Affected: Counties, cities, towns; Northwest Indiana Regional Planning Commission; Municipal utilities; Northwestern Indiana Regional Planning Commission; Lake County and Porter County Regional Bus Authority.

Information Sources: Bob Harris, DLGF; *Indiana Judicial Report 2004*.

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